

COUNTRY Guatemala

SUBJECT Comments on Discussions with Roberto Fanjul, Minister of Economy/Experimental Production of Ramie

PLACE ACQUIRED Guatemala City and Mazatenango
(BY SOURCE)

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SOURCE US national. An executive of a large US coffee company which maintains a resident-buyer in Guatemala.

Source returned 10 Apr 54 from a business trip during which he conferred with Roberto Fanjul in regard to the latter's financial difficulties and his debt to source's firm (see 00-B-75386). This source has previously submitted valuable reports on the situation in Guatemala.

1. During our April 1954 business negotiations with Roberto Fanjul, he and I had a brief opportunity to discuss some of the questions which had arisen in my mind in regard to the current economic and political situation in Guatemala.
2. Naturally, one of these questions was the extent of Communist infiltration into the machinery of national government. On this Fanjul hedged adroitly, but he hastened to point out that the president still exercised control of the parties of the National Democratic Front, including the Communist PGT. As an example of this he pointed to a recent occurrence in the national legislature. He began by explaining to me how any act of legislation required three readings before enactment. He then stated that the radical extremists in the legislature had introduced a bill similar in substance to the Agrarian Reform Law but which dealt with urban property. Supposedly this bill had received two readings when someone called the personal attention of the president to its impending passage. Arbenz reportedly threw his weight in opposition to this bill and the next day the same legislators who had backed it went on record as opposing it and the measure was soundly defeated. It was my understanding that this event took place around the second or third of April 1954.
3. On the subject of land reform, Fanjul seems convinced that the Agrarian Reform Law is a good thing for his country. He reiterated this belief even after telling me that he had been forced to give up some of his own lands (which he evidently could personally ill-afford to lose) under this law.
4. In discussing the tense situations involving US investments in Guatemala, I asked Fanjul why his government could not sit down and discuss grievances in a businesslike manner with the US firms like United Fruit with whom they were having their major disputes. I had expected him to answer that reasons of political expediency precluded such an approach, but Fanjul stated that he personally felt that United Fruit was playing "hard to get" and that instead of trying to work

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out a businesslike agreement with the Guatemalan Government they apparently preferred to finance a campaign of anti-Guatemalan publicity in the US.

5. On the subject of the Guatemalan national economy, Fanjul seemed quite casual as he admitted the inflationary possibilities involved in the government's recent action pledging a sum of US\$3 million in gold in a US bank as reserves for the Guatemalan operations of six foreign insurance companies. He freely admitted that this three million dollars was simultaneously pledged for two different things. In other words, it guarantees the nation's currency on one hand and the insurance reserves on the other.
6. As a result of Fanjul's own financial shortcomings, our firm placed a substantial mortgage on his rice and coffee mill at Mazatenango (See 00-B-75386). In this connection I took a trip to Fanjul's establishment there for the purpose of inspecting our collateral. Once I arrived at Fanjul's finca I was surprised to note that the greatest activity was not centered around the coffee industry, but rather around the production of ramie. Fanjul y Cia was conducting experiments for the comparative ramie yields of several varieties of seed and also operating a pilot plant for the separation process. It appeared that they had not yet entered into large-scale commercial production of ramie, although I was told that they had already exported some of the material to Japan and "other countries." I also learned that this operation had been already mortgaged by Fanjul but that the Guatemalan national government was bearing a large percentage of the cost of the actual experimentation. This ramie industry was obviously one of the bright hopes of the country's economy and is undoubtedly looked upon by Fanjul as an enterprise which might be able to restore his financial liquidity.

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